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## USSR

1. Prospects for Soviet industrial expansion considered poor:

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From a recently completed survey of current Soviet industrial expansion and its immediate production prospects, Embassy Moscow concludes that the rate of industrial

expansion in the USSR for 1951-1955 will "taper off" well below the rate of the past five years. Main reasons for this anticipated decline are the strict limitations on Soviet labor reserves and plant capacity, and the government's failure to achieve a substantial increase in industrial efficiency and labor productivity.

Direct Embassy observations in the past year in Moscow and other areas attest to continuing low productivity of Soviet workers due to improper use and maintenance of machinery and backward work techniques. The USSR also continues to suffer from a shortage of labor.

The Embassy believes that an attempt to increase military and civilian output simultaneously would restrict the USSR to minor progress in each sphere. Any sizable increase in Soviet armaments and armed forces will therefore show an absolute decline in non-military output.

Comment: 

Embassy's thesis that a tight economic situation continues in the USSR. Attempts to circumvent export controls, increased demands for Satellite capital goods and appeals for more efficient exploitation of existing plant facilities seem to substantiate this opinion. However, if labor reserves have not yet been completely exhausted, some increase in productivity can be expected in the period 1951-1955. As output increases, some drop in the rate of increase is to be expected.

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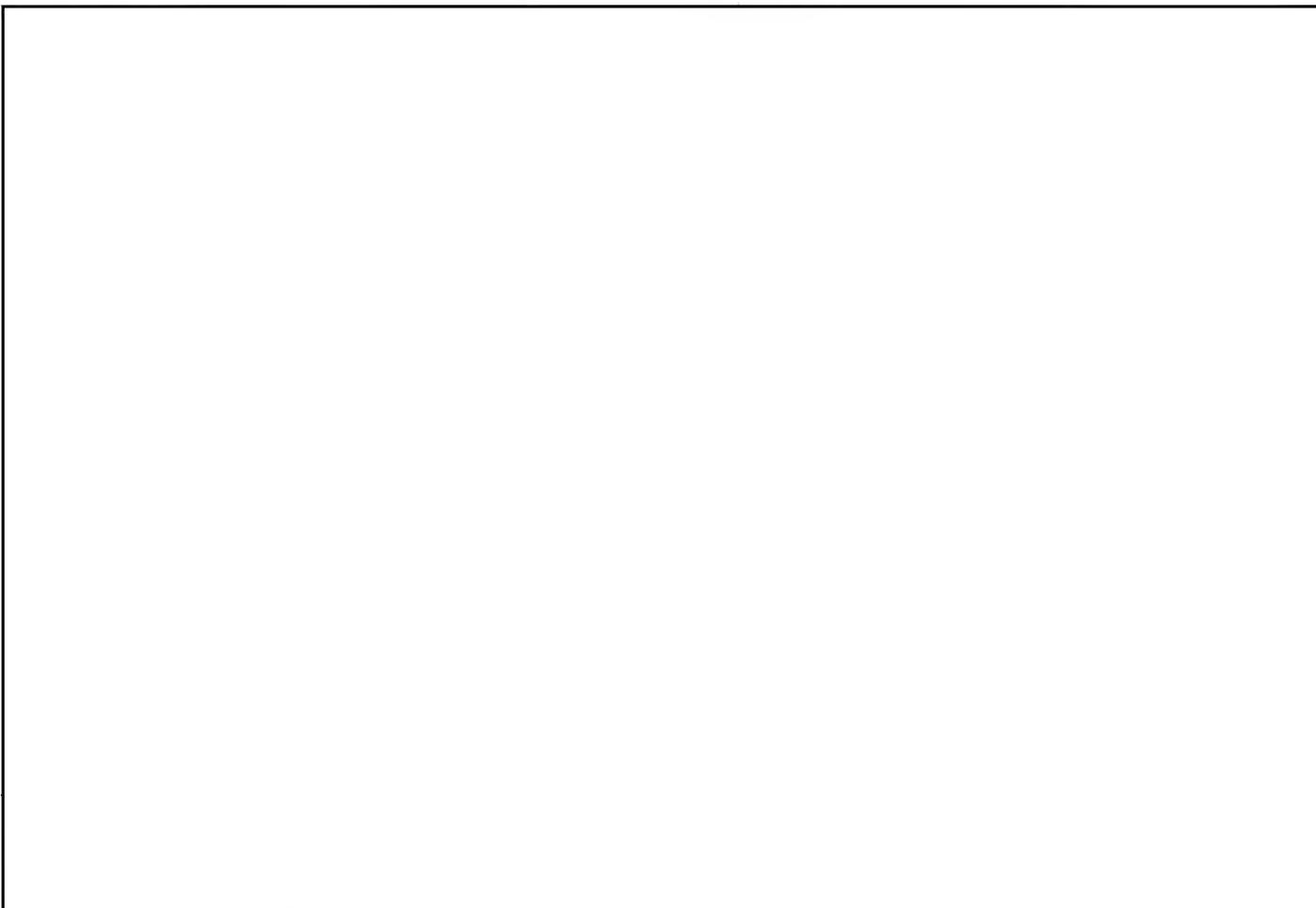
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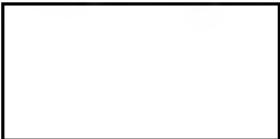
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WESTERN EUROPE



6. Italians end opposition to European Defense Forces:

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The highlight of the most recent session of the European Defense Forces conference was a report by the Italian delegate to the effect that the Italian Government was prepared to accept the interim report as a basis of discussion on most questions, and to drop a number of its previous reservations.

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On the provisions for financing the European Defense Forces, which they had seriously opposed, the Italians are now willing to join with other powers in the transfer of some control over military budgets to the European Assembly.

Comment: As previously believed, Italian opposition to European Defense Forces plans was intended to strengthen De Gasperi's bargaining position at Ottawa and Washington. Premier De Gasperi's Christian Democrats will probably be able to win Italian Parliamentary approval for financing European defense plans.

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